

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Flood Risk Management
TO: Head of Health & Community Protection **DATE:** 11 April 2018
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Head of Neighbourhood Services
Portfolio Holder – Cllr. Thompson

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the systems and procedures in place for dealing with Flood Risk Management (FRM) has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 **Background**

- 2.1 The last audit of FRM, which was also the first audit undertaken on the subject, was completed in November 2014.
- 2.2 At that time most of the related systems and procedures were contained within the Environmental Sustainability Team in Health and Community Protection (H&CP) and the majority of the work was undertaken by two engineers.
- 2.3 Since that time as a result of various restructures and redesigns the council currently has no engineering resource and the work previously undertaken in H&CP has been distributed to other service areas, mainly Neighbourhood Services and the Assets Team in Chief Executive's, and to the County Council.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas (overleaf):

- There are appropriate management, structural and operational procedures in place to deal with the risk of flooding.
- The council's legal obligations are being complied with.
- All watercourses on council land are identified, recorded and maintained.
- Proposed developments in the district are referred to WCC for flood risk implications.
- Work is ordered in accordance with the Code of Procurement Practice.
- Work carried out for WCC is covered by a formal agreement.
- Corporate budgetary control procedures are being followed.
- The risks associated with the service are identified, recorded and managed.

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Responsibility for FRM is clear with established procedures in place.
- The council's legal obligations are being complied with.
- Watercourses on council land are inspected and maintained.
- All watercourses and trash screens are detailed both in narrative and on maps.
- Details of work to be undertaken are supplied to the contractor.
- Relevant planning applications are referred for possible flooding implications.
- Tenders are invited for work and contracts are in place.
- Work undertaken for the County Council is covered by a suitable agreement.
- The County are billed in advance for the work.
- Budgets are controlled in line with standard procedures.
- Relevant risks are identified, recorded and managed.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The last report on Flood Risk Management was issued on 27 November 2014 and it contained a number of recommendations. The response at the time and the current position are detailed in Appendix A.

4.1.2 In respect of those previous recommendations, the completely different management arrangements that are now in place, the budgetary structure and staffing issues have rendered the recommendations from the last audit redundant. This will be explained below.

4.2 Overall management of FRM

4.2.1 At the time of the last audit there were two Engineers posts in H&CP and they dealt with virtually all matters relating to FRM. One post was closely involved in a flood alleviation capital scheme that was taking place at the time and the other post managed the routine inspection and maintenance work and dealt with referrals from Development Management on planning applications.

4.2.2 Now H&CP have virtually no responsibility for FRM and there are no Engineers posts in the current structure. The routine inspection and maintenance

aspects for watercourses and trash screens are dealt with in Neighbourhood Services, the Assets Team in Chief Executive's deal with the maintenance of pumping stations and would manage any capital schemes and under an SLA the County Council are consulted on planning applications and drainage matters.

- 4.2.3 The Environmental Protection Team in H&CP have held the budget for the payment of the SLA with the County but as from 2018/2019 this is being transferred to Development Management.
- 4.2.4 Partway through the audit comment was made that the approach being adopted was akin to a contract management audit and that a wider view of managing the risk should be taken to include the issues surrounding Sustainable Urban Drainage Systems (SUDS). Up to this point there had been no intention to consider SUDS as part of the audit due entirely to the fact that SUDS was a completely alien term and so not included in the audit programme. Given the nature of the concerns expressed about SUDS, the fact that the audit was already in progress and that there simply wouldn't be time to consider the matter to any meaningful degree it was suggested that the matter would be examined in a fairly broad fashion with any recommendation being in a similar vein.
- 4.2.5 Some brief investigation and explanation revealed that SUDS are a system whereby surface water in urban areas is stored temporarily thereby reducing the flow into local watercourses which otherwise might result in flooding. The Local Plan requires that all new major developments must incorporate SUDS.
- 4.2.6 Discussions took place with a number of officers about SUDS and it soon became clear that there was a good understanding of what they were and of the issues associated with them. Most officers expressed concerns that could be summarised as a lack of preparedness for dealing with them which might result in serious problems in the future. There may only be a limited number around at the moment but the development of the District in the Local Plan suggests that a lot more will appear over the life of The Plan.
- 4.2.7 Several comments referred to the council's lack of experience in dealing with SUDS and the lack of the necessary in house expertise to advise on their suitability and fit for purpose. What currently happens with planning applications for major developments is that among the conditions for approval will be a condition that a SUDS must be installed. In time the developer submits proposals to fulfil the condition and these are forwarded to the County Council for their approval.
- 4.2.8 When the scheme has been completed it will be handed over to the council for adoption. What is unclear at that stage is whether or not the SUDS has been provided in accordance with the proposals approved, if it is fit for purpose, if it has been provided to an appropriate standard and if, as part of the financial settlement, there are sufficient funds to meet the ongoing maintenance costs.
- 4.2.9 In the course of discussions some officers cited the council's lack of in house engineering resources as being a factor in the general management of SUDS.

Admittedly there are no engineering posts in H&CP as there were at the time of the last audit but engineering resources are provided to the council under the SLA with WCC. It was claimed that the value of the previous engineering posts was overstated as a result of a misunderstanding in Service Areas of what the engineers actually did against what people thought they did.

- 4.2.10 There is, however, an Engineer's post on the establishment. As part of the restructure of H&CP that was reported to Employment Committee in March 2017 a post of Engineer was deleted and a post of Engineer (0.6fte) was created. The new post is located in the Assets Team. No progress has been made with filling the post possibly because the Team is currently undergoing a redesign. When the post will be filled and what the duties will be are also not clear.
- 4.2.10 In summary there are a lot of concerns surrounding SUDS which are mainly around their quality or fitness for purpose and the funding of their maintenance. It would seem that the inevitable expansion of their use is not being managed in a coordinated fashion.

Risks

SUDS that are not fit for purpose might be installed which may increase the risk of flooding.

Funds deposited by the developer may not be sufficient to meet ongoing maintenance costs.

Recommendation

A coordinated approach to managing the expansion of SUDS in the District should be adopted by involving all relevant senior managers to identify the potential problems and to propose solutions.

4.3 Legal obligations are being complied with

- 4.3.1 There are a number of Acts of Parliament that a local authority needs to comply with in respect of land, water and flooding with the main one being the Land Drainage Act 1991. The Act requires that a watercourse is maintained by its owner in such a condition that free flow of water is not impeded. The council also has powers of enforcement on other landowners if they fail to meet their duties. The council has powers to serve a notice and if it is ignored to carry out the necessary work and recharge the owner.
- 4.3.2 Watercourses, brooks and streams, on council land are inspected and if necessary blockages and debris are removed through a planned maintenance programme undertaken by one of the council's main contractors.
- 4.3.2 The work is specified in the Grounds Maintenance contract and monthly reports of inspections undertaken and the condition of the watercourses are submitted to Contract Services.

4.4 All watercourses are identified and maintained

- 4.4.1 The watercourses that are on land owned by the council are all recorded on both lists and maps. A copy of the maps is held in Contract Services and a copy has been supplied to the contractor.
- 4.4.2 Under the terms of the contract the contractor is required to inspect all watercourses monthly and to remove any blockages that will impede the free flow of water. Anything removed must be taken to the tip for disposal.
- 4.4.3 The trash screens to be cleared are all referenced and listed and the contractor is required to remove all debris on either a four or eight weekly basis. The cost of this work is recovered from the County Council.

4.5 Proposed developments are referred for flood risk implications

- 4.5.1 At the time of the last audit a list of planning applications validated each week was forwarded to H&CP for observation and comment on any flood risk implications. In some cases the design and construction of the development was considered as well as the proposed location. The work was mainly undertaken by one of the engineers.
- 4.5.2 The work is currently outsourced and undertaken by the Warwickshire County Council Flood Risk Management Team under an agreement that runs from year to year until terminated by either party giving notice.

4.6 Work is ordered in accordance with the Code of Procurement Practice

- 4.6.1 Another change since the last audit is the way that maintenance work is ordered. There was an issue last time in that maintenance work was carried out by an outside contractor to a value of around £40,000 a year and there was no market testing and no contract. A recommendation was made that the procurement process should be followed and tenders should be invited.
- 4.6.2 The response at the time (November 2014) was that tender documents would be prepared to enable a contract to start in April 2015. Due to the workload of the Procurement Team this date was extended to April 2016. What happened next wasn't established partly due to the fact that the people involved at the time no longer work for the council and partly because of the way that work has been undertaken since April 2016.
- 4.6.3 The work involved in inspecting and clearing watercourses and inspecting and clearing trash screens has been incorporated into the Grounds Maintenance and Street Cleansing contracts respectively. Why this decision was taken and whether or not it bends the Procurement rules wasn't established. The rates charged by the contractors look to be at a level where they make very little from the deal and it is hard to imagine that they could be bettered.

4.7 Work for WCC is covered by an agreement

- 4.7.1 Part of the work on FRM involves the clearance of trash screens on behalf of the County Council. Trash screens are large metal grids that prevent large

items of debris entering a watercourse at the point where it disappears from view which is usually into a culvert.

- 4.7.2 The last audit of FRM unearthed a draft agreement dating back to 2004 that set out in broad terms how the arrangement would operate both in terms of the work to be undertaken and how WCC would make payment. The agreement was never enacted.
- 4.7.3 What there was instead and what amounted to an agreement was an exchange of emails between the County and H&CP which only concerned the amount that the County would be paying for the work. In the context of the work being undertaken and dealing with another local authority the informal nature of the "agreement" was seen as acceptable and low risk and there was no recommendation that a more formal relationship should be established.
- 4.7.4 Currently the work on trash screens and the recovery of the cost of the work plus the council's administration costs from WCC is managed by Contract Services. At the moment the absence of certain key staff in Contract Services has created something of a knowledge gap and how much the County are going to pay for 2017/18 is unknown and consequently no sundry debtor invoices have been raised. The matter is currently being pursued and the County have been asked to submit orders for the work so that invoices can be raised.

4.8 **Budgets are controlled in line with standard procedures**

- 4.8.1 Budgets for FRM work which were previously all managed by H&CP have now been distributed among a number of other service areas but corporate budgetary control will still apply in that a specific officer will be identified as being responsible and regular monitoring will take place.
- 4.8.2 Recent budgetary performance (current and previous years) over the various cost centres was examined and there was nothing untoward.
- 4.8.3 The cost of watercourse inspection and maintenance is part of the Grounds Maintenance budget and is not separately identified. The work on trash screens forms part of the Street Cleansing contract and is paid for accordingly. As part of reviewing the budget the cost of the trash screen work is transferred annually to its own cost centre and forms the basis of the recovery from the County.
- 4.8.4 The budget for Alleviation of Flooding now appears in the Chief Executive's service area and is the responsibility of the Interim Asset Manager. For 2018/19 it includes a recharge from what is described in the budget book as Environmental Health Services of £102,700. This is the level of recharge that would have applied when H&CP had two engineers in post spending most of their time on flooding related matters. It is inappropriate in the present circumstances and no doubt it will be corrected at revised estimate time.

4.9 **Risk management**

- 4.9.1 Although the council has a role to play in managing the risk of flooding and an even greater role in responding to a major flooding incident, its influence and options are limited to the activities described in the report. The council's role

is relatively minor in comparison to that of the Environment Agency and the County Council.

- 4.9.2 Some of the service area risk registers and the Significant Business Risk Register make some specific minor reference or some indirect reference to flooding and climate change. In many ways as a major flooding incident would be down to the forces of nature the risk would be impossible to manage.
- 4.9.3 As this audit is about how the council manages the risk of flooding the main risk is in not being able to carry out that function i.e. having all of the usual resources such as staffing, systems, accommodation and communications etc. to deliver the service. Every risk register includes the generic risks.

5 **Conclusions**

- 5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls in place for Flood Risk Management are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

6 **Management Action**

- 6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix B) for management attention.

Richard Barr
Audit and Risk Manager

Status of Recommendations from Previous Audit

Recommendation	Management Response	Current Status
1 The Procurement Team should be contacted for advice on market testing the work currently undertaken by Wilkinsons.	Initial Response (Environmental Sustainability Manager): Tender documents to be prepared in January in readiness for awarding a new contract on 1 April 2015. Target Implementation Date (TID): 1 April 2015. Updated Response (Qtr.2 2015/16): Discussed with Procurement Team in January 2015 but unable to progress as planned due to their workload. Tender documents have now been prepared to award new contract in early 2016.	As is explained in more detail in the body of the report, the completely different management arrangements in place now, the budgetary structure and staffing issues have rendered the recommendations from the last audit redundant.
2 Invoices for work undertaken for WCC should be raised at regular intervals on predetermined dates.	Initial Response (Environmental Sustainability Manager): HCP Business Support Officer to raise annual invoice at start of the Year. TID: 1 April 2015. Updated Response (Qtr.2 2015/16): Agreed to invoice for the full year at the start of the year from 1 April 2015.	Work is no longer undertaken by an outside contractor but is contained within the council's major maintenance contracts.
3 Invoices should be raised in advance and not in arrears in accordance with the Code of Financial Practice.	Initial Response (Environmental Sustainability Manager): Area Engineers to provide HCP Business Support Officer with relevant and timely information. TID: 1 April 2015. Updated Response (Qtr.2 2015/16): Agreed to invoice for the full year at the start of the year from 1 April 2015.	Responsibility for raising invoices to the County Council for work undertaken has been transferred to another service area that has experienced staffing shortages. Invoices were raised for 2016/17 but the 2017/18 invoices have not been raised yet. The matter is currently being pursued with view to raising invoices very soon.
4 The situation with income from the County for Highways Culvert maintenance in 2013/14 should be investigated and reported as part of the corporate budget monitoring process.	Initial Response (Environmental Sustainability Manager): ESM to discuss with WCC. TID: January 2015. Updated Response (Qtr.2 2015/16): Completed as per implementation date.	
5 As part of ongoing monthly budget monitoring any significant variations should be investigated and reported so that action can be taken as appropriate.	Initial Response (Environmental Sustainability Manager): ESM to action. TID: 1 January 2015. Updated Response (Qtr.2 2015/16): Implemented and on-going.	

Action Plan

Internal Audit of Flood Risk Management – March 2018

Report Ref.	Recommendation	Risks	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.10	A coordinated approach to managing the expansion of SUDS in the District should be adopted by involving all relevant senior managers to identify the potential problems and to propose solutions.	SUDS that are not fit for purpose might be installed which may increase the risk of flooding. Funds deposited by the developer may not be sufficient to meet ongoing maintenance costs.	Medium	Head of Health & Community Protection / SMT		

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.